

Message Text

UNCLASSIFIED

PAGE 01 QUITO 07529 080029Z

60

ACTION COME-00

INFO OCT-01 ARA-10 ISO-00 EB-06 CIAE-00 INR-07 NSAE-00

RSC-01 FEA-01 CIEP-02 INT-05 OMB-01 TRSE-00 /034 W

----- 029012

R 072246Z NOV 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 3218

INFO AMCONSUL GUAYAQUIL

UNCLAS QUITO 7529

FOR COMMERCE

E.O. 11652: N/A

TAGS: BEXP, EC

SUBJECT: FY-75 CCP - AGRICULTURAL MACHINERY AND EQUIPMENT MARKET ANALYSIS.

REF: (A) STATE 233196, (B) QUITO 7119, (C) QUITO A-112, (D) QUITO 3313, 6/25/73 (E) QUITO 0751, (F) QUITO 6678, (G) QUITO 0822, (H) QUITO 0823, (I) QUITO 3851, (J) QUITO A-76.

1. SUMMARY AND CONCLUSIONS: THE PUBLIC SECTOR IS BY FAR THE LARGEST POTENTIAL PURCHASER OF AGRICULTURAL EQUIPMENT IN ECUADOR. THE PRIVATE SECTOR MARKET IS CONSIDERABLY LIMITED IN COMPARISON AND IT CAN BE LEFT TO EXISTING AGENTS AND DISTRIBUTORS. MARKET IS MOSTLY FOR AGRICULTURAL WHEEL TRACTORS; IMPLEMENTS SUCH AS PLOWS AND SUBSOILERS, SOIL PREPARATION IMPLEMENTS, PLANTERS AND FERTILIZER SPREADERS, THRASHERS, HARVESTERS, AND RELATED IMPLEMENTS; SILOS AND THE MACHINERY USED IN CONJUNCTION WITH THEM; AND IRRIGATION PUMPS, SPINKLER IRRIGATION SYSTEMS, AND OTHER RELATED MACHINERY AND EQUIPMENT. SINCE THE GOVERNMENT IS THE PRINCIPAL PURCHASER, AND DISTRIBUTOR, US FIRMS SHOULD DIRECT EFFORTS TO GOE ENTITIES AND HAVE A LEGAL REPRESENTATIVE IN ECUADOR. END SUMMARY.

2. BRIEF MARKET SURVEY CONDUCTED IN QUITO AND GUAYAQUIL IN JULY AMONG IND-USERS OF AGRICULTURAL MACHINERY HAS LED US TO CONCLUDE THAT PRIVATE INTEREST IN PURCHASE OF NEW EQUIPMENT AT THIS TIME
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 QUITO 07529 080029Z

IS VERY LIMITED. THIS DOES NOT MEAN, HOWEVER, THAT NEED AND THEREFORE

POTENTIAL DOES NOT EXIST. FOR EXAMPLE, ONE OF LARGEST PLANTATIONS ON COAST EXPRESSED NO INTEREST IN NEW EQUIPMENT BUT ADMITTED HAVING ONLY TWO TRACTORS. IN THE PRIVATE SECTOR, WE BELIEVE THAT LOCAL DISTRIBUTORS OF US FIRMS CAN ADEQUATELY HANDLE EXISTING TRACTOR MARKET.

3. IN PUBLIC SECTOR, PICTURE IS JUST THE OPPOSITE. NATIONAL GOVERNMENT FOR SOME TIME HAS BEEN MAKING DETERMINED EFFORT TO FOSTER AGRICULTURAL GROWTH AND HAS ALLOCATED CONSIDERABLE FUNDING FOR IMPORTATION OF TRACTORS AND OTHER MACHINERY. IMPORT DUTIES HAVE BEEN SUBSTANTIALLY REDUCED AND IN MOST CASES ELIMINATED ON THIS EQUIPMENT.

4. "THE NATIONALIST REVOLUTIONARY GOVERNMENT IS PLANTING ITS PETROLEUM" IS A STANDARD GOVERNMENT PHRASE. GOE IS INVESTING 6.6 BILLION SUCRES (US\$264 MILLION) IN THE FARMING AND LIVESTOCK SECTORS ALONE, IN SUCH PROGRAMS AS: NATIONAL PROGRAM FOR STORAGE AND MARKETING (SILOS), US\$ 42 - 60 MILLION (REF. I); GOVERNMENT MECHANIZATION ENTERPRISE, US\$32 MILLION; CARRIZAL-CHONE IRRIGATION PROJECT, US\$60 MILLION; AND THE POZA-HONDA IRRIGATION PROJECT, US\$23 MILLION. THESE ARE ALL MINISTRY OF AGRICULTURE (MOA) PROJECTS. IN ADDITION THERE IS THE BABAHOYO IRRIGATION PROJECT BEING UNDERTAKEN BY CEDEGE AND THE DEVELOPMENT OF THE AZUAY AND CANAR PROVINCES BY CREA (REF. C).

5. IN THE AGRICULTURAL -MACHINERY SECTOR, THE TRACTOR HAS THE BEST MARKET POTENTIAL. ECUADOR LAGS CONSIDERABLY BEHIND OTHER LATIN AMERICAN COUNTRIES IN THE NUMBER OF TRACTORS IN USE PER HECTARE ACCORDING TO A STUDY CONDUCTED BY THE TECHNICAL UNIVERSITY OF MANABI PROVINCE BASED ON AN FAO STUDY. FAO STUDY RECOMMENDS THE AVERAGE USE OF 0.5 HP PER HECTARE IN LATIN AMERICA AND ECUADOR IS USING APPROXIMATELY 0.28 HP PER HECTARE. THE UNIVERSITY ESTIMATES ECUADOR NEEDS TO IMPORT 14,400 TRACTORS TO REACH THE RECOMMENDED AVERAGE OF 0.5 HP PER HECTARE.

6. THE MOA RECOGNIZES THE NEED TO MECHANIZE THE AGRICULTURAL SECTOR AND HAS ALREADY CALLED FOR BIDS ON 600 TRACTORS (REF. E). (IN 1973, A TOTAL OF ONLY 686 WHEEL TRACTORS WERE BROUGHT INTO ECUADOR). BY MID 1974 THE NATIONAL DEVELOPMENT BANK HAD IMPORTED US\$2.5 MILLION IN TRACTORS, OF WHICH A LARGE SHARE WERE US BRANDS. TRACTORS WILL CONTINUE TO BE THE MOST SOUGHT-AFTER ITEM, WITH THEIR IMPLEMENTS A

UNCLASSIFIED

PAGE 03 QUITO 07529 080029Z

CLOSE SECOND. IN 1973 ECUADOR IMPORTED 295 PLOWS AND SUBSOILERS, 624 SOIL PREPARATION IMPLEMENTS, 153 PLANTERS AND FERTILIZER SPREADERS,

595 TRASHERS, HARVESTERS, AND RELATED IMPLEMENTS. THE MARKET WILL CONTINUE TO EXIST FOR IMPLEMENTS AND HARVESTERS FOR SOYBEANS, PEANUTS,

CORN, AND OTHER TRUCK CROPS (REF. D, F, G, H).

7. THE CONSTRUCTION OF SILOS IS BEING GIVEN TOP PRIORITY BY THE GOE SINCE ECUADOR IS NOW COMPLETELY DEPENDENT ON ITS SEASONAL CROPS AND IMPORTS OF GRAINS (REF. I). SILO CONSTRUCTION IS DIVIDED INTO 3 PHASES WITH THE COST OF EACH PHASE ESTIMATED AT US\$14 MILLION, OR TOTAL OF US\$42 MILLION. ONE U.S. COMPANY ESTIMATES THE TOTAL PROJECT VALUE AT CLOSER TO US\$60 MILLION WHEN OTHER RELATED PROJECTS ARE CONSIDERED. THE FIRST PHASE OF THIS PROJECT IS EXPECTED TO BE AWARDED MOMENTARILY. THE MARKET FOR MACHINERY USED IN CONJUNCTION WITH SILOS WILL BE A MAJOR ONE UNTIL THE NATIONWIDE GRAIN-STORAGE SYSTEM IS COMPLETED.

8. IRRIGATION PUMPS, SPRINKLER IRRIGATION SYSTEMS, AND OTHER RELATED MACHINERY AND EQUIPMENT GREAT DEMAND IN ECUADOR, SINCE AGRICULTURE NOW DEPENDS ON UNPREDICTABLE RAINS (EITHER TOO MUCH OR TOO LITTLE). MANY OF THE MAJOR PROJECTS INVOLVE IRRIGATION DIRECTLY OR INDIRECTLY; THE CARRIZAL-CHONE IRRIGATION PROJECT, 16,000 HECTOARES; THE POZA-HONDA IRRIGATION PROJECT, 25,000 HECTARES; THE BABAHoyo IRRIGATION PROJECT, 11,000 HECTARES; DAULE PERIPA, 200,000 HECTARES; PROYECTO GUAYAS, 200,000 HECTARES; CARACOL PROJECT, 8,200 HECTARES; AND MANY OTHER SMALLER IRRIGATION PROJECTS. IN ADDITION, MANY OF THE HYDROELECTRIFICATION PROJECTS WILL PERMIT BRINGING VIRGIN LAND INTO CULTIVATION SINCE IRRIGATION WATERS WILL BE AVAILABLE, AND LANDS WHICH WERE PREVIOUSLY UNCULTIVATED DUE TO FREQUENT FLOODING WILL NOW BE UTILIZED.

9. SPRINKLER IRRIGATION WILL BE THE PRINCIPAL METHOD SINCE TO LANDSCAPE IS VERY HILLY IN THE LOWLANDS AND IN THE MOUNTAINS THE GRADES ARE SUCH THAT GRAVITY IRRIGATION IS NOT VERY PRACTICABLE. IN THE FIRST SIX MONTHS OF 1974, US\$2,544,368 WORTH OF IRRIGATION PUMPS HAD BEEN IMPORTED INTO ECUADOR, AND AMOUNT REPRESENTING SLIGHTLY MORE THAN THAT OF TRACTOR AND IMPLEMENT IMPORTS COMBINED FOR THE SAE PERIOD.

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 QUITO 07529 080029Z

10. U.S. COMPANIES WISHING TO BID ON AGRICULTURAL MACHINERY AND EQUIPMENT TENDERS SHOULD BE ADVISED TO OBTAIN AN AGENT OR REPRESENTATIVE IN ECUADOR WELL IN ADVANCE OF THE CALL FOR BIDS. THIS IS A LEGAL REQUIREMENT. GOVERNMENT AGENCIES, WHILE BY LAW GIVEN BETWEEN 20 TO 120 DAYS (REF. J) TO ACCEPT BIDS, USUALLY ALLOW ONLY 30 TO 45 DAYS. THE BETTER-KNOWN FIRMS SELLING AGRICULTURAL MACHINERY IN QUITO ARE: COMPANIA AGROQUIMICA INDUSTRIAL S.A., P.O. 1327; DISTRIBUIDORA DE EQUIPOS Y MAQUINARIAS S.A. DEMSA, P.O. BOX 564; DISTRIBUIDORA RICHARD O. CUSTER S.A., P.O. BOX 2753; JULIO ESPINOSA ZALDUMBIDE, P.O. BOX 220-A; IMPORTADORA INDUSTRIAL AGRICOLA S.A., P.O. BOX 2030; INDUSTRIAS ALES C.A., P.O. BOX 3079; JUAN H. KRUGER S.A.C., P.O. BOX 2440; MORISAENZ S.A.C., P.O. BOX 625; PONCE YEPEZ COMPANIA DE COMERCIO

S.A., P.O. BOX 2513, AND CASA BACA, P.O. BOX 55-A.

11. SINCE MANY OF THE GOVERNMENT AGENCIES PREPARING BID DOCUMENTS HAVE LITTLE OR NO KNOWLEDGE OF THE VARIOUS TYPES OF AGRICULTURAL EQUIPMENT AND MACHINERY AVAILABLE FOR A PARTICULAR USE OR CROP, INTERESTED U.S. COMPANIES SHOULD BE ADVISED TO SEND THESE AGENCIES, CATALOGS, SPECIFICATIONS, AND OTHER SALES AIDS. THE NAMES AND ADDRESSES OF THE PRINCIPLE GOVERNMENTAL PURCHASERS ARE: ING. JAIME ESTRELLA, DIRECTOR GENERAL DE PLANIFICACION, MINISTERIO DE AGRICULTURA

Y GANADERIA, GUAYAQUIL 1640, QUITO, ECUADOR; ING. GONZALO JIMENEZ RIVAS, TCRNEL DE E.M., INSTITUTO ECUATORIANO DE RECURSOS HIDRAULICOS INERHI, CALLE RIOFRIO 314, QUITO, ECUADOR; DR. CARLOS CAMACHO SAA, GERENTE GENERAL, BANCO DE FOMENTO, AV. 10 DE AGOSTO Y ANTE, QUITO, ECUADOR; EMMANUEL MARTINEZ PALACIOS, CENTRO DE RECONVERSION ECONOMICA DEL AZUAY, CREA, CASILLA 4933, CUENCA, ECUADOR; ECON. OSCAS LOOR RISCO, DIRECTOR EJECUTIVO, COMISION DE ESTUDIOS PARA EL DESARROLLLO DE LA CUENCA DEL RIO GUAYAS, CEDEGE, CASILLA 6722, GUAYAQUIL, ECUADOR; DR. MARCELO ROSERO, DEPTO. DE PLANIFICACION, INSTITUTO ECUATORIANO DE REFORMA AGRARIA Y COLONIZACION IERAC, CARRION 1040, QUITO, ECUADOR; AND DR. ENRIQUE AMPUERO, DIRECTOR GENERAL, INSTITUTO NACIONAL DE INVESTIGACIONES AGROPECUARIAS INIAP, SAN JAVIER 295, QUITO, ECUADOR.
BREWSTER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 07 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974QUITO07529
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740321-0187
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741163/aaaacbcv.tel
Line Count: 192
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION COME
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: (A) STATE 233196, (B) QUITO 7119, (C,) QUITO A-112, (D) QUITO
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 12 NOV 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 NOV 2002 by shawdg>; APPROVED <29 NOV 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FY-75 CCP - AGRICULTURAL MACHINERY AND EQUIPMENT MARKET ANALYSIS.
TAGS: BEXP, EC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005